

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2020-1-E

In re: Annual Review of Base Rates
for Fuel Costs of Duke Energy
Progress, LLC

**SURREBUTTAL TESTIMONY OF
GREGORY LANDER**

1 **Q:** Are you the same Gregory Lander that submitted Direct Testimony in this
2 case?

3 **A:** Yes.

4 **Q:** Have you reviewed the rebuttal testimony of Duke Energy Progress’ witness
5 James McClay?

6 **A:** Yes I have.

7 **Q:** Do you have any general comments and observations?

8 **A:** Yes. First, I wish to call attention to the portions of my direct testimony that Duke
9 Energy Progress (“DEP” or “the Company”) had no response to or did not
10 dispute.

11 **Q:** Please continue.

12 **A:** First, the Company did not provide any data to dispute my observation that its
13 acquisition of short-term capacity was underutilized. While the Company asserts a
14 load factor utilization for the winter period of 88%, which it says is inclusive of
15 “actual long term firm capacity plus ad hoc nominal short-term capacity over the

1 review period,” it provides no separate assessment of short-term capacity
2 utilization. Thus, the Company provided no support that its short-term utilization
3 was higher than the low utilization I calculated.

4 **Q: Why is it important to separately assess short-term utilization?**

5 A: A low short-term utilization could indicate one or more of a number of issues: 1)
6 that the gas supply accessed by such short-term capacity is not competitive with
7 delivered supplies in terms of price, flexibility, or other factors; 2) the added
8 short-term capacity did not fit the needs of the generating stations that DEP and
9 Duke Energy Carolinas (“DEC”) (together, “the Companies”) chose to run; and/or
10 3) the requirements of other contractual arrangements made the Companies’
11 utilization of the short-term capacity less. Low utilization of short-term capacity
12 could also indicate that, due to its existing services, facilities and contractual
13 arrangements, the Companies did not need that additional capacity to the extent
14 they thought they would prior to its acquisition.

15 **Q: Does the utilization factor of the short term capacity tell you anything else?**

16 A: Those factors which apparently led to the low utilization factor of the short term
17 capacity could also lead to low utilization of any similar acquisitions of long-term
18 capacity. These factors should be fully understood in advance of ratepayers being
19 asked to assume additional long-term fixed costs.

20 **Q: Before we leave this topic, did the Company assert that you made an**
21 **erroneous calculation based on the data provided?**

22 A: No. The Company cites “technical issues” limiting the accuracy of its own data as
23 provided through discovery. In other words, to the extent my calculated utilization

1 factors were inaccurate, it was due to infirmities in the Company's provided data,
2 not to flaws with my analysis. As I will discuss further below, even though the
3 Company states in rebuttal that it provided SACE and CCL the final actual
4 scheduled quantity data based on end of month settlement, reconciliations and
5 allocations by station that may reflect more accurate consumption, such data bears
6 no resemblance to data used to generate Figure 1 on page 12 of Company's
7 rebuttal. But even if the correct figure for overall utilization (i.e. long and short-
8 term capacity) for the review period is approximately 88% instead of the 64% that
9 I calculated, the Company has not provided a figure to dispute my calculation of
10 its short-term utilization, which as stated before, is low.

11 **Q: What other aspects of your testimony did the Company not dispute?**

12 A: The Company did not dispute the need for distinguishing hourly burn/flows by
13 type of generator/generating station (combustion turbine generator versus
14 combined cycle generator). As stated in my direct testimony, without this
15 information I was unable to assess how much of the excess gas usage (i.e. usage
16 exceeding contracted levels) was driven by one generator type or the other at
17 locations having both generator types. As a result, I was unable to fully analyze
18 the sufficiency of delivery capacity to power the combined cycle generators at
19 those locations. Because combined cycle generation stations generally run
20 regularly as baseload generators (and more recent models typically cannot burn
21 alternatives like fuel oil), those generators drive firm capacity needs. Accordingly,
22 it is important to be able to understand the extent to which those generators are
23 driving excess capacity needs.

1 I would reiterate that Dominion Energy South Carolina does provide
2 separate hourly generation and fuel use by generator/unit. There should be
3 consistency in the types of data that the Commission and intervening parties
4 receive in utility fuel cost proceedings in South Carolina.

5 **Q: Do you have any other issues you would like to address related to data**
6 **accuracy and ease of use?**

7 A: Yes. The Company did not dispute the need for consistency in the provided data –
8 specifically, my request that plant names or designations be standardized to
9 facilitate a comparison of electricity generation (MW) per hour and consumption
10 of natural gas by hour. Alternatively, the Company could provide a cross
11 reference table that distinguishes between the name and type of generator
12 (combined cycle versus combustion turbine) so that the flow of gas by type of
13 generator by hour and generation by hour by type of generator could be analyzed.

14 **Q: Do you stand by the recommendations in your direct testimony for additional**
15 **data granularity?**

16 A: Yes. And again, I commend the Company for providing granular hourly data in
17 accordance with the Commission's order in last year's DEC fuel cost proceeding.
18 My recommendations for further data clarity are not intended to diminish efforts
19 to date. I can appreciate that there may still be some "kinks" to work out in terms
20 of providing consistent, holistic data. My recommendations are conveyed simply
21 in the spirit of maximum transparency. The Commission has appropriately
22 ordered the tracking and provision of this data because of the importance of gas
23 capacity sufficiency and costs thereof to the rate paying public.

1 **Q: Did the Company dispute your testimony related to swing services as**
2 **alternative to firm capacity?**

3 A: Not substantively. While the Company generally asserts that Transco imposes
4 daily constraints on “flexibility” and limits the level of penalty-free end-of-day
5 imbalances, the Company did not dispute that some entities with existing assets
6 and contracts are providing valuable hourly within-day swing service, as
7 evidenced by the variation of intraday rates of flow at the burn locations.

8 **Q: Why is that important?**

9 A: Because the availability and use of such swing services bears directly on the
10 Company’s claim that it lacks sufficient firm capacity to serve its gas generation
11 requirements. To be clear, my direct testimony did not claim that the Companies’
12 firm capacity *alone* is sufficient to meet its generation needs—that would be an
13 extraordinarily expensive way for the Companies to conduct fuel operations.
14 Rather, my testimony simply stated that the Companies are able to reliably meet
15 their generation needs by supplementing their current firm capacity with other
16 facilities and services, including swing services, and that doing so is in ratepayers’
17 best interests.

18 Indeed, the Company nowhere disputes my observation that replacing
19 such swing services with firm interstate capacity would come at a significant
20 fixed cost to ratepayers: between \$75.2 and \$250.9 million per year for 15 to 20
21 years or more. The Company did not dispute my observation that given the tariff–

1 stated 1/24th limitation on pipeline services,¹ the Company would need to obtain
 2 firm capacity almost double of what it has today to have capacity sufficient to
 3 meet its peak hour of use under 1/24th flow rate conditions. The significant
 4 expense associated with “firming up” so much capacity for the rare hours of high
 5 usage is why swing services and other short-term capacity measures are so
 6 important.

7 **Q: Did the Company anywhere specify what level of incremental daily pipeline**
 8 **capacity it would need to obtain to cover the consumption levels provided in**
 9 **the rebuttal testimony?**

10 A: No. In Figure 1 on page 12 of the rebuttal testimony, the Company plots what it
 11 terms actual gas burns against its scheduled firm capacity and total available
 12 capacity. This data shows that my prior assessment of a near doubling of firm
 13 capacity was quite possibly an underestimate. Based on the data underlying
 14 Figure 1 on page 12—data which was not provided during discovery—the
 15 Company would have to more than triple the amount of firm pipeline capacity
 16 that it has today in order to cover its highest burn date.²

17 Nowhere does the Company state what the incremental fixed cost to
 18 ratepayers would be from such tripling. Nor does the Company address whether
 19 such tripling of pipeline capacity would cost ratepayers more than continuing
 20 Companies’ current practices.³

¹ In the Transco tariff, within the description of service for every transportation service rate schedule, Transco uses the term “uniform hourly flow” to characterize Transco’s and the shipper’s obligations and rights.

² According to the surrebuttal testimony, this peak date was February 8, 2020.

³ Indeed, it appears that even if the Companies’ firm capacity would only need to double, that would still be a far more expensive option.

1 Importantly, the Company does not explain where the gas used for its
2 “Actual Burns” came from. If it came from sellers of delivered gas using those
3 sellers’ own capacity, then that capacity existed during the review period, existed
4 after the July 1st 2019 tariff change (limiting end of day imbalances), continues to
5 exist today, and will exist going forward. Hence, the Company simply has not
6 substantiated its assertion of insufficient capacity.

7 **Q: Are there any other observations you wish to make regarding Figure 1?**

8 A: Yes. Figure 1 cannot be reconciled with the underlying data provided to SACE
9 and CCL, even that which the Company characterizes as “revenue grade.”⁴ From
10 my review of that data, for every month there was never a maximum day that was
11 less than 500,000 Dth per day nor a day greater than 800,000 Dth per day.⁵ Yet
12 Figure 1 appears to show that scheduled firm capacity (as indicated by the blue
13 line) never passed above the 500,000 Dth per day value. The black line – actual
14 burns – with daily “actual burns” often exceeding 800,000 Dth per day also bears
15 no resemblance to the underlying data. As a result, it would appear that Figure 1
16 in the rebuttal testimony has little to no probative value.

17 If in fact Figure 1 is accurate, but is based on data not provided during
18 discovery, that would simply underscore the need for accurate and consistent data
19 ahead of the deadlines for filing testimony. The Commission should order the
20 Company to track and, upon request, provide to intervening parties the accurate
21 and reliable data needed to assess the sufficiency of its long-term capacity. In last

⁴ The Company supplied the data it characterizes as “revenue grade” in response to SACE/CCL’s Data Request 2-1. As this data does not align with what DEP provided in Figure 1, it is unclear what information Figure 1 is based on.

⁵ Let alone days of “actual burn” in excess of 1 million Dth per day.

1 year's fuel proceeding involving Duke Energy Carolinas (Docket No. 2019-3-E),
2 the Commission appropriately ordered DEC to "track its gas pipeline utilization at
3 a more granular scale" and to have "hourly and daily metered usage readily
4 available for production." For this requirement of the Commission to be
5 meaningful, parties to this proceeding need to be able to get consistent and
6 reliable data in response to their initial data requests instead of having technical
7 issues and data discrepancies revealed to them only through rebuttal testimony.

8 At a minimum, for the hourly and daily metered usage information
9 ordered by the Commission to be useful for analysis and testimony, it must
10 separate hourly generation and fuel use by generator/unit type and otherwise be
11 provided in a standardized format that facilitates comparison of electricity
12 generation (MW) per hour and consumption of natural gas by hour.

13 **Q: Does anything in the rebuttal testimony change your conclusion that the**
14 **Companies' existing contracted capacity, along with other facilities and**
15 **services available to them, is sufficient to power their combined cycle**
16 **generators going forward?**

17 A: No. The Companies were able to operate their combined cycles during the review
18 period using their existing firm capacity, potentially supplemented as needed by
19 other facilities and services. Assuming there are data improvements prior to the
20 next proceeding, the Commission will be able to make even more informed
21 assessments of the Company's claimed capacity needs.

1 **Q. Do you have any response with respect to the Company's statements in**
2 **rebuttal testimony regarding the timing of data requests and their relation to**
3 **direct testimony deadlines?**

4 A: Yes. The Company is correct that SACE and CCL did not submit follow-up data
5 requests; that is simply because there was not sufficient time to do so between the
6 filing of the Company's testimony and the deadline for intervenors' direct
7 testimony. Certainly we would have preferred to submit further data requests
8 based on the Company's filing, but even if we had submitted a follow-up request
9 the day after the Company filed direct testimony, we would not have received
10 responses in time to incorporate them into our testimony. As such, the Company's
11 dispute with respect to the timing of responses or direct testimony deadlines is
12 disingenuous at best.

13 Here, SACE and CCL served data requests well ahead of the filing of the
14 Company's direct testimony precisely because the schedule does not provide
15 sufficient time for discovery between the deadlines for direct testimony. And yet
16 SACE and CCL were still unable to obtain consistent and reliable data to support
17 our analysis and testimony. Either the schedule needs to be modified to allow
18 sufficient time for discovery or the Company should be prepared to provide
19 consistent and reliable data in response to "early" data requests like those that
20 were served here.

21 **Q: Does that conclude your surrebuttal testimony?**

22 A: Yes.

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CERTIFICATE OF SERVICE

I certify that the following persons have been served with one (1) copy of the Surrebuttal Testimony of Gregory Lander filed on behalf of the South Carolina Coastal Conservation League and Sothern Alliance for Clean Energy by electronic mail and/or U.S. First Class Mail at the addresses set forth below:

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